

# Developing Sufficient and Stable Financing

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Washington's current funding system for public health has been shaped by years of incremental decisions, many tied to specific programs and resources. The current financing system is a tangled knot of local, state, and federal funding sources, distribution formulas, and categorical restrictions. This mix of funding delivers inconsistent support across local public health jurisdictions and causes some high-priority needs to go unmet. It falls far short of the financing principles listed in both the 1994 and 1996 PHIPs, which committed the state to developing a system of financing public health that is stable and sufficient.

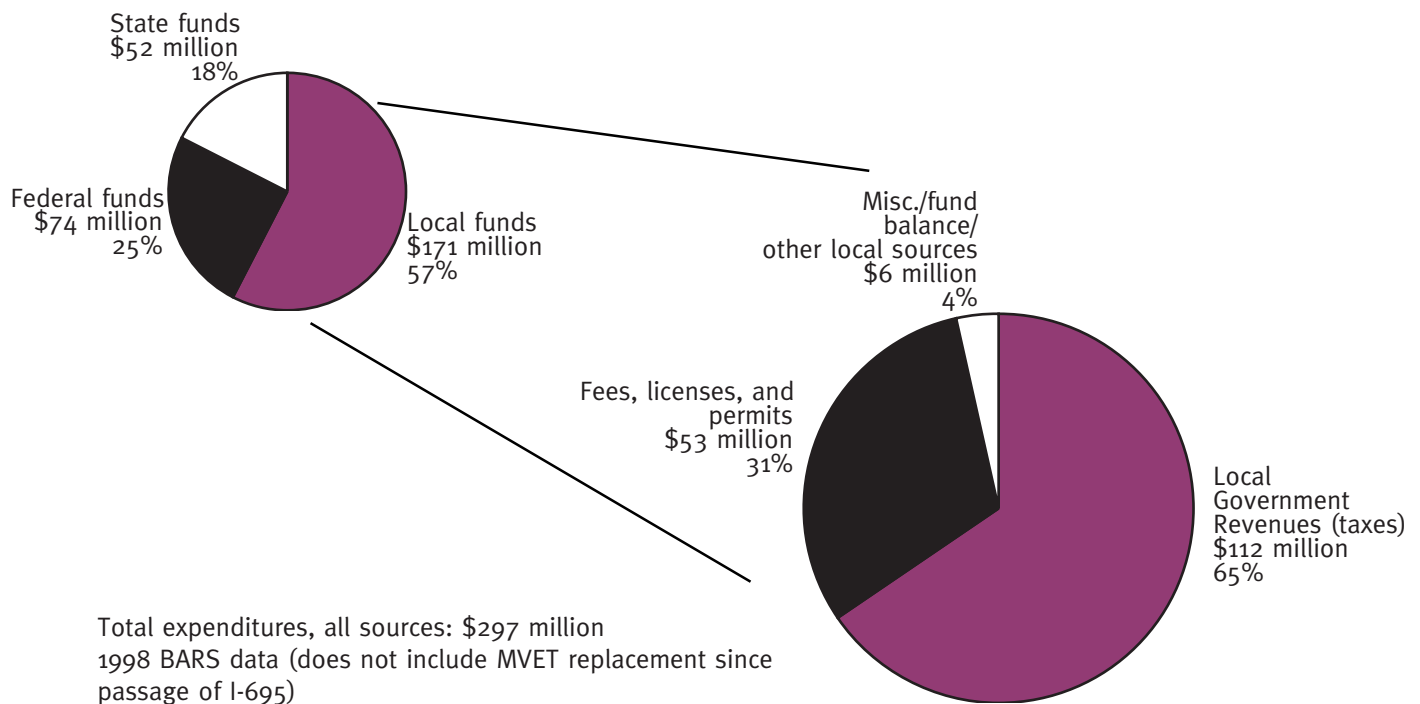
The PHIP Financing Committee set out to analyze the distribution of funding for Washington's public health system and to develop policy recommendations to increase funding flexibility, maintain accountability, and to link funding to system performance. The committee identified three overall problems facing the state's public health system:

- Financing has evolved without established principles, and there are wide variations in the level of public health investment. An analysis of 1998 spending revealed significant

disparities across Washington counties both in how communities measure what they pay for in public health services and, more important, the level of local investment in public health. For example, according to county reports, average local-fund investment in public health is \$22.08 per capita. But the range in local funds across counties is great, from \$7.65 to \$41.45. The disparity of investment from one area to the next suggests that all Washington's citizens do not have the same level of public health protection.

- Public health funding is allocated according to complex and inconsistent methods. Local health jurisdictions often lack trust in distribution formulas that do not change along with changes in population and public health priorities. Categorical funding constrains responsiveness to community priorities and undermines cost-effective use of funds.
- The financing system needs a stronger link between services and funding to support good decision making and demonstrate public health's "return on investment."

## Funding for Washington's 34 Local Public Health Jurisdictions



After defining these problems, the Public Health Financing Committee conducted an analysis of the current revenue and expenditure streams for Washington's public health system, current financing formulas, and other state financing models. This involved an in-depth study of both the Department of Health budget and local expenditures. Local funding sources are shown in the chart above. State and federal funds expended by local health jurisdictions come from DOH and other state agencies. Department of Health revenues and expenditures are shown in Appendix 7.

The committee then collected insights from local public health officials to develop a guiding philosophy for financing public health. This philosophy rests on the following underlying principles:

- Public health funding is a shared responsibility of federal, state, and local government.
- The state's role is to develop and administer the public health system and the state and federal revenues that support it.
- The role of local health jurisdictions is to provide or assure provision of a basic set of public health services in their communities, including locally determined strategies to meet public health performance standards.
- Federal, state, and local funds can be used most effectively when restrictions are few, while maintaining accountability for public health outcomes.
- Education about the essential role of public health is needed at all levels of federal, state, and local government and with the public.

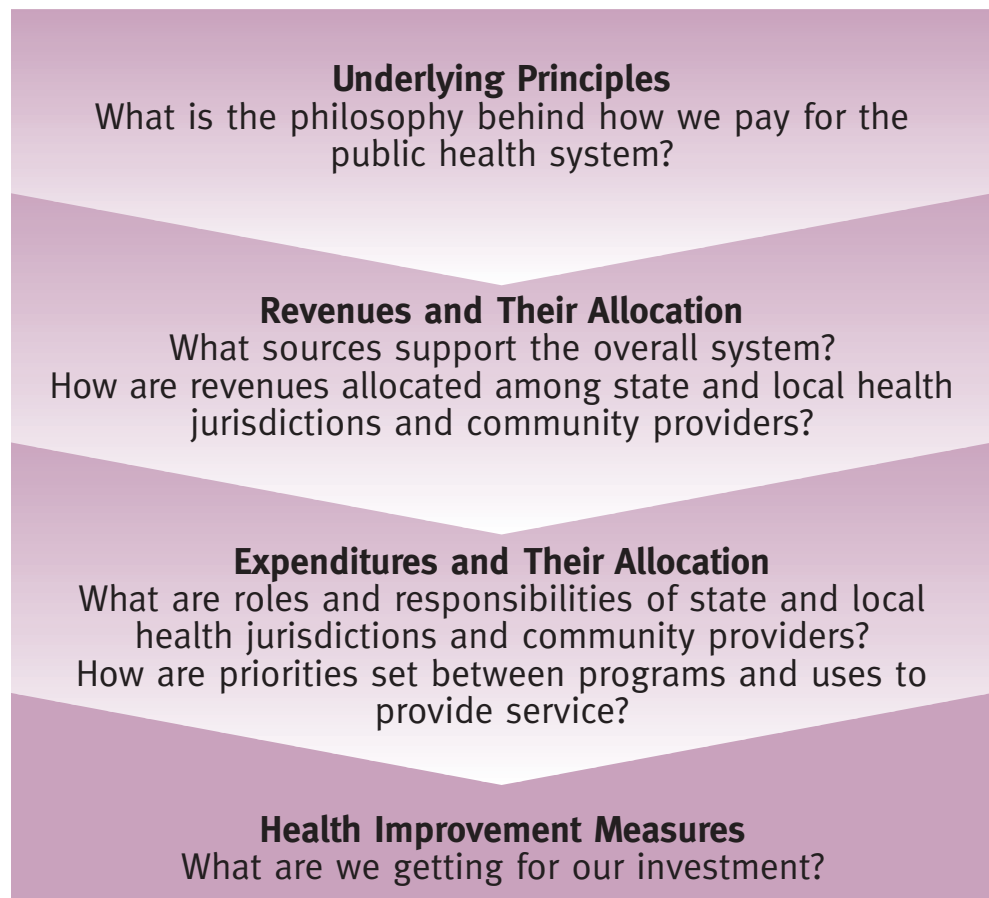
*Creating a stable and sufficient system will require system-wide solutions and continuing state and local collaboration.*

By adopting these principles, the committee embarked on a process for recommending changes in the state's public health financing system to achieve the goals expressed in the 1994 and 1996 PHIPs. The framework for developing these recommendations is shown in the chart below.

Policy makers need this guidance more than ever. Federal, state, and local governments share responsibility for financing the state's public health system.

During the past decade, however, county governments—in Washington and across the nation—have become increasingly strapped for resources as they try to meet rising costs, particularly those associated with criminal justice needs. State programs are subject to the stresses caused by state spending lids and categorical funding sources. Creating a stable and sufficient system will require system-wide solutions and continuing state and local collaboration.

## Building a Vision for Financing Public Health



## Next Steps

### For Developing Stable and Sufficient Funding

1. In concert with the Proposed Standards for Public Health, identify a basic set of state and local public health services that should be available to every citizen, estimate the cost to deliver those services, and establish how funding will follow the provision of “basic” services.
2. Develop financial incentives for efficient local organization and alternatives to meet the standards, including technical assistance that helps local health jurisdictions maximize revenue capacity.
3. Establish funding responsibilities—“who pays” for a service—among state and local governments.
4. Work to make revenue sources more flexible so resources effectively meet local and state needs and are allocated within the public health system using well-communicated, regularly updated criteria.
5. Continue to communicate to funding agencies, partners, and the public:
  - Financing principles that convey how resources should be used in the system
  - The shared nature of local and state financing responsibilities
  - The need for enough stable funding to meet public health standards